

Community & Economic Development & Trade Committee

HB 2983

Brief Description: Creating the Washington global health technologies and product development competitiveness program and allowing certain tax credits for program contributions.

Sponsors: Representatives Kenney and Maxwell.

Brief Summary of Bill

- Creates a Global Health Technologies and Product Development Competitiveness Program administered by a Board of Directors.
- Authorizes a business and occupations tax credit and an insurance premiums tax credit for persons contributing to the Program, each capped at \$5 million total per fiscal year.
- Creates an Account in the custody of the State Treasurer for gifts, grants, royalty payments, licensing income, and other funds that may be expended only for Program activities.

Hearing Date: 1/28/10

Staff: Meg VanSchoorl (786-7105).

Background:

Global Health Care Industry in Washington

According to a 2009 summary report by the Legislative Committee on Economic Development and International Relations, Washington's global health sector is responsible for approximately 50,000 primary and secondary high-paying jobs, over \$1.7 billion in salaries, and \$4.1 billion in business activity. A November 2009 Berk and Associates study conducted for the Washington

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Global Health Alliance (WGHA) reported that WGHA partner organizations are currently involved in more than 480 global health projects in 92 countries focusing on issues including infectious diseases, non-communicable diseases and conditions, and exposure to environmental toxins. The study identified global health expertise as being distributed statewide, but with facilities concentrated in Seattle, Richland, and Pullman.

Business and Occupation Tax

Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state without any deduction for the costs of doing business. Depending on the types of activities conducted, a business may have more than one B&O tax rate. There are a number of different rates. The major rates are: 0.471 percent for retailing; 0.484 percent for manufacturing, wholesaling, and extracting; and 1.5 percent for professional and personal services and other non-classified activities.

Premium Tax

The premium tax is a gross receipts tax that is similar to the business and occupation tax. This tax is levied against an insurer's premium volume at 2 percent. Additionally, the Office of the Insurance Commissioner (OIC) is authorized to charge a fee of up to 0.125 percent against an insurer's premium volume to finance the OIC's operations. Currently, that fee is at 0.10 percent. Washington assesses retaliatory taxes on foreign (meaning out-of-state) insurers when the foreign insurer's state of domicile assesses higher aggregate taxes, fees, and assessments on insurance policies written by a Washington-domiciled insurer's than the State of Washington would otherwise assess on foreign insurers writing insurance in Washington. All states, except Hawaii, use this retaliatory tax system.

Summary of Bill:

Program and Board of Directors

The Global Health Technologies and Product Development Competitiveness Program (Program) is created and is administered by a ten member board of directors appointed by the Governor after consultation with a statewide alliance of global health research, nonprofit and private entities. The board includes three members from private global health service companies, three members from nonprofit organizations that support global health research, three members from public research institutions, and one member who is a former statewide elected official. The board's duties include: contracting with the Department of Health (DOH) for Program implementation assistance; soliciting gifts and private donations; establishing grant-making criteria and procedures; and making grants to entities for the development, production and delivery of global health technologies and products. Factors that the Board must consider when evaluating proposals include the quality of the proposed project, the potential to improve global health outcomes and leverage additional funding for the development of global health technologies; the potential to stimulate employment or technical skills training in the state, and the willingness of the grant recipient to enter into licensing or royalty sharing agreements with the Board. Grants contracts must specify that the research, development, and subsequent production activities must occur in the state of Washington. Noncompliance will require the recipient to return the grant award. If recommended by the Washington Economic Development Commission, the Board may fund the recruitment and employment by public research institutions of global health researchers with a history of commercialization.

Account

The Global Health Technologies and Product Development Account (Account) is created in the custody of the State Treasurer. All receipts from the Board's solicitation of gifts and private donations must be deposited in the Account. Only the Board of Directors or the Board's designee may authorize expenditures, which may only be used for funding activities of the Program. No state or local government funds may be deposited into the account and the moneys in the account do not constitute public funds. The DOH may use up to three percent of the monies deposited for administrative expenses. The Account will receive its proportionate share of earnings from the State Treasury on a monthly basis.

B&O Tax Credit

A business and occupation tax credit is allowed for persons who contribute funds directly to the Account. The amount of the credit is equal to fifty percent of contributions made in any fiscal year. The amount of tax credit claimed cannot be more than taxes due and the maximum credit that may be earned per calendar year per person is \$500,000. Contributions must be made prior to claiming the credit, and refunds are not granted in the place of credits. Tax credits not claimed in any calendar year may be carried over and claimed against the person's tax liability for a maximum of three succeeding calendar years. The cap on total credits allowed during any calendar year is \$5 million. The Department of Revenue (DOR) must make credits available on a first-in-time basis and may not allow any credits to be taken before July 1, 2010. Various other DOR administrative responsibilities are detailed. The credit availability will expire June 30, 2018.

Premium Tax Credit for Health Insurers and Carriers

An insurance premiums tax credit is allowed for insurers who contribute funds directly to the Account. The amount of the credit is equal to fifty percent of contributions made in any fiscal year. The Office of the Insurance Commissioner (OIC) must make credits available on a first-in-time basis, and the cap on total credits allowed during any calendar year is \$5 million. Tax credits not claimed in any calendar year may be carried over and claimed against the person's tax liability for the next three succeeding calendar years. Various OIC administrative responsibilities are detailed, as are provisions related to retaliatory taxes and costs of premiums. This tax credit expires on June 30, 2018.

Appropriation: None.

Fiscal Note: Requested on 1/20/2010.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.